

DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

LIFESHIELD NATIONAL INSURANCE COMPANY

NAIC #99724

5701 N. Shartel, 1St Floor
Oklahoma City, OK 73118

As of

September 30, 2018

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Number 99724-18-ST-968, and pursuant to statutory provisions including 18 *Del. C.* § 318-322, a market conduct examination has been conducted of the affairs and practices of:

LifeShield National Insurance Company
NAIC #99724

The examination was performed as of September 30, 2018.

The examination consisted of an off-site phase which was performed at the offices of the Delaware Department of Insurance, (“Department” or “DDOI”), or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

The Company, LifeShield National Insurance Company (“LifeShield”), was incorporated under the laws of the State of Oklahoma under the name of Homeshield Insurance Company on April 26, 1982 as a stock corporation with a perpetual existence. The Company commenced business on May 6, 1982. In March 2009, the Company amended its Articles of Incorporation and By-laws and adopted its current name. The Company’s principle place of business is Oklahoma City, Oklahoma. The Company is authorized to transact the business of Life, Health and Annuities. The Company is authorized to transact business in 42 States and the District of Columbia.

The examination of LifeShield was announced to review the Company’s practices and procedures relating to the Short-Term Medical line of business. The examination focused on the Company’s business in the following areas of operation: Company Operations and Management, Complaints, Grievances and Appeals Handling, Marketing and Sales, Producer Licensing and Appointments, Underwriting and Rating and Claims Handling.

All the exceptions noted were in the areas of Company Operations and Management, Complaints, Grievances and Appeals Handling, Marketing and Sales, Underwriting and Rating and Claims Handling.

The following exceptions were noted.

- **2 Exceptions**

- **18 Del. Admin. C. § 1406-4.0 Payment to Administrator**

- If an insurer utilizes the services of an administrator, the payment to the administrator of any premiums or charges for insurance by or on behalf of the insured party shall be deemed to have been received by the insurer, and the payment of return premiums or claim payments forwarded by the insurer to the administrator shall not be deemed to have been paid to the insured party or claimant until the payments are received by the insured party or claimant. Nothing in this section limits any right of the insurer against the administrator resulting from the failure of the administrator to make payments to the insurer, insured parties or claimants.*

The written agreements for two Third-Party Administrators did not contain the required provisions.

- **1 Exception**

- **18 Del. Admin. C. § 1406-7.3 Responsibilities of the Insurer**

- 7.3 In cases where an administrator administers benefits for more than one hundred certificate holders on behalf of an insurer, the insurer shall, at least semiannually, conduct a review of the operations of the administrator. At least one such review shall be an on-site audit of the operations of the administrator.*

The audit provision in the written agreement for a Third-Party Administrator did not contain the required provision. Additionally, the 2018 Semiannual Audit for the Third-Party Administrator was not evident.

- **2 Exceptions**

18 Del. Admin. C. § 1406-8.1 Premium Collection and Payment of Claims

8.1 All insurance charges or premiums collected by an administrator on behalf of or for an insurer, and the return of premiums received from that insurer, shall be held by the administrator in a fiduciary capacity. The funds shall be immediately remitted to the person entitled to them or shall be deposited promptly in a fiduciary account established and maintained by the administrator in a federally or state insured financial institution. The written agreement between the administrator and the insurer shall provide for the administrator to periodically render an accounting to the insurer detailing all transactions performed by the administrator pertaining to the business underwritten by the insurer.

The written agreements for two Third-Party Administrators did not contain the required language.

- **1 Exception**

18 Del. Admin. C. § 1406-8.3.6 Premium Collection and Payment of Claims

8.3 The administrator shall not pay any claim by withdrawals from a fiduciary account in which premiums or charges are deposited. Withdrawals from the account shall be made as provided in the written agreement between the administrator and the insurer. The written agreement shall address, but not be limited to, the following:

8.3.6 Remittance of return premium to the person or persons entitled to such return premium.

The written service agreement for a Third-Party Administrator did not address the remittance of return premium.

- **2 Exceptions**

18 Del. Admin. C. § 1406-10.1 Notice to Covered Individuals; Disclosure of Charges and Fees

10.1 When the services of an administrator are utilized, the administrator shall provide a written notice approved by the insurer to covered individuals advising them of the identity of, and relationship among, the administrator, the policyholder and the insurer.

The written agreements for two Third-Party Administrators did not contain a provision setting forth the Third- Party Administrator's duties to provide written notice, advising of the identity and relationship of the Third- Party Administrator, to the insureds.

- **2 Exceptions**

18 Del. Admin. C. § 1406-10.2 Notice to Covered Individuals; Disclosure of Charges and Fees

10.2 When an administrator collects funds, the reason for collection of each item shall be identified to the insured party and each item shall be shown separately from any premium. Additional charges may not be made for services to the extent the services have been paid for by the insurer.

The written agreements for two Third-Party Administrators did not address the Third-Party Administrator's duty to disclose to the insured any fees charged outside of the premium.

- **4 Exceptions**

18 Del. Admin. C. § 1406-10.3 Notice to Covered Individuals; Disclosure of Charges and Fees

10.3 The administrator shall disclose to the insurer all charges, fees and commissions received from all services in connection with the provision of administrative services for the insurer, including any fees or commissions paid by insurers providing reinsurance.

The requirement of the disclosure to the insurer of all charges, fees, and commissions in connection with the administrative services was not evident in the four Third-Party Administrator agreements.

- **1 Exception**

18 Del. Admin. C. § 902-1.2.1.2

1.2.1.2 Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.

The Company failed to respond to the complainant's claim denial appeal.

- **1 Exception**

18 Del. Admin. C. § 902-1.2.1.13

1.2.1.13 Failing when requested to promptly provide an explanation of the basis in the insurance policy in relation to facts or applicable law for denial of a claim or for the offer of a compromise settlement. Such explanation may be made verbally but when given, must be documented in the claims file.

The Company failed to respond to the complainant's request for an explanation of the basis for the claim denial.

- **2 Exceptions**

18 Del. C. § 332(c)(4) Prompt response to written grievances.

(4) Prompt response to written grievances. — The IRP shall provide that within 5 business days of receipt of a written grievance, the carrier shall provide written acknowledgement of the grievance, including the name, address and telephone number of the individual or department designated by the carrier to respond to the grievance.

The Company failed to provide a written acknowledgement of the grievances within 5 business days of receipt.

- **1 Exception**

18 Del. C. § 332(c)(5) Speedy review of grievances.

(5) Speedy review of grievances. — That IRP shall require that all grievances be decided in an expeditious manner, and in any event, no more than:

- a. 72 hours after the receipt of all necessary information relating to an emergency review;*
- b. 30 days after the receipt of all necessary information in the case of requests for referrals or determinations concerning whether a requested benefit is covered pursuant to the contract; and*
- c. 45 days after the receipt of all necessary information in all other instances.*

The Company failed to provide a speedy review of the grievance within the statutory time frame.

- **2 Exceptions**

18 Del. C. § 2304(1)(a). Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(1) Misrepresentations and false advertising of insurance policies. -- No person shall make, issue, circulate or cause to be made, issued or circulated any estimate, circular, statement, sales presentation, omission or comparison which:

- a. Misrepresents the benefits, advantages, conditions or terms of any insurance policy;*

The advertisements did not reference the association membership, which has the capacity to mispresent the conditions of the policy.

- **1 Exception**

18 Del. Admin. C. § 1302-11.1 Identification of Plan or Number of Policies

11.1 When a choice of the amount of benefits is referred to, an advertisement shall disclose that the amount of benefits provided depends upon the plan selected and that the premium will vary with the amount of the benefits selected.

The advertisement did not disclose that the amount of benefits provided depends upon the plan selected and that the premium will vary with the amounts of

benefits selected.

- **7 Exceptions**

18 Del. Admin. C. § 1302-14.1 Identity of Insurer

14.1 The name of the actual insurer and the form number or numbers of a specific policy(s) advertised shall be identified and made clear in all of its advertisements. An advertisement shall not use a trade name, any insurance group designation, name of the parent company of the insurer, name of a particular division of the insurer, service mark, slogan, symbol or other device which without disclosing the name of the actual insurer would have the capacity and tendency to mislead or deceive as to the true identity of the insurer.

The form numbers of the specific policies advertised were not identified in the advertisements.

- **3 Exceptions**

18 Del. Admin. C. § 1302-17.0 Statements About an Insurer

An advertisement shall not contain statements which are untrue in fact, or by implication misleading, with respect to the assets, corporate structure, financial standing, age or relative position of the insurer in the insurance business. An advertisement shall not contain a recommendation by any commercial rating system unless it clearly indicates the purpose of the recommendation and the limitations of the scope and extent of the recommendation.

The advertisements contained statements which were misleading with respect to the financial standing of the insurer.

- **2 Exceptions**

18 Del. Admin. C. § 1302-7.2.2 Exceptions, Reductions and Limitations.

7.2.2 When a policy contains a waiting, elimination, probationary or similar time period between the effective date of coverage under the policy or a time period between the date a loss occurs and the date benefits begin to accrue for such loss, an advertisement which is subject to the requirements of the preceding paragraph shall disclose the existence of such periods in a prominent manner.

The waiting periods in the advertisements were not disclosed in a prominent manner.

- **1 Exception**

18 Del. Admin. C. § 1302-10.3 Use of statistics

The source of any statistics used in an advertisement shall be identified in such advertisement.

The source of statistics was not disclosed in the advertisement.

- **43 Exceptions**

18 Del. C. § 1715. Appointments.

(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.

The individuals were not appointed by the Company within 15 days from the date the insurance applications were submitted.

- **19 Exceptions**

18 Del. C. § 2712(a) Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

The application form used for the purchase of the Waiver of Pre-Existing Condition Rider was not the form filed for such use.

- **5 Exceptions**

18 Del. C. § 1703. License required.

A person shall not sell, solicit or negotiate insurance in this State for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this chapter.

The individuals did not hold a Delaware insurance license on the date the application was signed.

- **216 Exceptions**

18 Del. Admin. C. § 902-1.2.1.2 Unfair Claim Settlement Practices.

1.2.1.2 Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.

The Company failed to acknowledge the claims within 15 working days upon receipt.

- **170 Exceptions**

18 Del. Admin. C. § 902-1.2.1.3 Unfair Claim Settlement Practices.

1.2.1.3 Failing to implement prompt investigation of claims arising under insurance policies within 10 working days upon receipt of the notice of loss by the insurer.

The Company failed to implement a prompt investigation within 10 working days upon receipt.

- **97 Exceptions**

18 Del. Admin. C. § 1310-6.1.1 Processing of Clean Claim

6.1 No more than 30 days after receipt of a clean claim from a provider or policyholder, a carrier shall take one of the following four actions:

6.1.1 if the entire claim is deemed payable, pay the total allowed amount of the claim;

The Company failed to pay the claims within 30 days upon receipt.

- **108 Exceptions**

18 Del. Admin. C. § 1310- 6.1.3 Processing of Clean Claim

6.1 No more than 30 days after receipt of a clean claim from a provider or policyholder, a carrier shall take one of the following four actions:

6.1.1 if the entire claim is deemed payable, pay the total allowed amount of the claim;

6.1.2 if a portion of the claim is deemed payable, pay the allowable portion of the claim that is deemed payable and specifically notify the provider or policyholder in writing why the remaining portion of the claim will not be paid;

6.1.3 if the entire claim is deemed not payable, specifically notify the provider or policyholder in writing why the claim will not be paid;

The Company failed to notify the provider, within 30 days after receipt, why the claim would not be paid.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that did not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

The Company, LifeShield National Insurance Company (“LifeShield”), was incorporated under the laws of the State of Oklahoma under the name of Homeshield Insurance Company on April 26, 1982 as a stock corporation with a perpetual existence. The Company commenced business on May 6, 1982.

LifeShield (then Homeshield) was originally formed to participate in the sale of insurance offered through Midland Mortgage Company. The primary products sold are insurance based – Life, Accidental Death, Accident and Health (“Disability”) Critical Period, and Hospitalization. Other non-insurance products, known as Club Programs, include shopping, health and home discount products and services.

In 2001, LifeShield began purchasing blocks of traditional life and annuity insurance. These were closed blocks of business, not issuing new coverage. On September 24, 2001, LifeShield purchased Texas Savings Life Insurance Company (“TSL”), a Texas-domiciled life and health insurance company, making it a wholly owned subsidiary of

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LifeShield National Insurance Company

LifeShield. TSL was subsequently merged into LifeShield December 2008. That acquisition was closely followed by an October 2001 reinsurance agreement with Western General Life Insurance Company, followed by another reinsurance agreement with Universal Fidelity Life Insurance Company (“UFL”) in December of 2001. UFL then became the Third-Party Administrator for all of the previously acquired blocks of business.

In March 2005, LifeShield entered into an agreement with Guaranty Income Life Insurance Company (“GILICO”). GILICO is still administering this block, with LifeShield’s Treasury Department managing the investments. LifeShield acquired a block of life insurance policies from American Underwriters Life in 2006. In June 2008, LifeShield entered a new line of business with a 100% coinsurance agreement with Loyal American Life Insurance Company (Loyal), a wholly owned subsidiary of Great American Financial Resources, Inc. LifeShield is supporting the in-force business, as well as assuming new business produced by two General Agents, Pinnacle and National Insurance Marketing Brokers. In March 2009, the Company amended its Articles of Incorporation and By-laws and adopted its current name.

In 2012, changes initiated by the Office of Comptroller and Currency (“OCC”) brought an end to marketing optional products to the Mortgage Customer Portfolio. LifeShield then developed and initiated sales of the Company’s Simplified Issue Whole Life product called Survivor. This product is marketed by agents under the Company’s Independent Marketing Organizations, AmeriLife and The Assurance Group.

In 2015, the Company added Short-Term Medical Products (“STM”) to its portfolio. In April 2017, the Federal Government limited these policies to no more than three months in duration. In October 2018, the Federal Government reversed that decision and allowed STM to be sold for no more than 12 months in duration, with two renewals; however, they left the durations of these policies up to each individual state.

In 2016, LifeShield entered into the Guaranteed-Issue Term-Life business. LifeShield also partnered with American Fidelity in 2016 and acts as a re-insurer on a block of Stop-Loss business. In 2018, LifeShield added Limited Medical, Hospital Indemnity Plan (HIP) and Accidental Death and Disability/Accident Medical Expense (ADD/AME) products to the lineup.

Currently, the Company offers the following products on LifeShield Paper: Accident, ADD/AME, Cancer, Critical Illness, GAP, Hospital Indemnity, Individual/Joint Whole Life, Limited Medical, Short-Term Medical and Term Life.

The Company’s principle place of business is Oklahoma City, Oklahoma. The Company is authorized to transact the business of Life, Health and Annuities. The Company is authorized to transact business in 42 States and the District of Columbia.

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As of their 2018 annual statement for the State of Delaware, LifeShield National Insurance Company reported ordinary Life (Group and Individual) premiums of \$22,230 and premiums of \$415,110 for Disability Income (Group and Individual).

COMPANY OPERATIONS AND MANAGEMENT

The Company provided the following company operations and management documentation:

- Certificate of Authority indicating that the Company is authorized to transact the business of Life, Health and Annuities.
- Company Overview and History.
- The Company's Organization Charts.
- A statement that there were no fines, penalties or recommendations.
- A statement that there were no Financial or Market Conduct Examination reports conducted or issued during the examination period.
- A Summary of Related Short-Term Medical Program Parties and Activities (Delaware).
- An Audit Report, an Audit Committee Letter and a No Material Weaknesses Letter.
- Third-Party Administrator information and Contracts.
- The Company's Annual Report for 2017 and 2018.

The documents were reviewed to ensure compliance with the State of Delaware Laws and Regulations. No exceptions were noted, except for those related to the Third- Party Administrators as indicated below.

THIRD-PARTY ADMINISTRATORS

The Company was requested to provide a list of all third-party entities under contract to perform services on behalf of the Company. The Company was also requested to provide a copy of the contracts in effect during the examination period and copies of all audits performed of the third- party since contract inception. The Company provided a list of the following Third-Party Administrators ("TPAs"): HIIQ dba Health Plan Intermediaries Holdings, LLC ("HPIH/HIIQ"), International Benefits Administrators, LLC ("IBA"), Insurance TPA.com (InsTPA), SASid, and Universal Fidelity Life Insurance Company (UFLIC). Upon review, it was determined that UFLIC did not fall within the definition of a third-party administrator, as defined by Delaware law, as it is an insurer that is authorized to transact insurance in Delaware and is excluded under 18 *Del. Admin. C.* § 1406-2.1.1.3. The third- party entities, contracts, and documentation, were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

2 Exceptions - 18 Del. Admin. C. § 1406-4.0 Payment to Administrator

The written agreements for SASid and HPIH/HIIQ Third-Party Administrators did not contain the required language.

Recommendation: It is recommended that the Company review its procedures to ensure written service agreements include all required provisions as required by 18 Del. Admin. C. § 1406- 4.0.

1 Exception - 18 Del. Admin. C. § 1406-7.3 Responsibilities of the Insurer

The audit provisions in the written agreement did not contain the required provision. Additionally, the 2018 Semiannual Audits for HPIH/HIIQ Third-Party Administrator were not evident.

Recommendation: It is recommended that the Company review its policies to ensure audit provisions, allowing for periodic and on-site audits, are included in all contracts between the Company and the TPAs as required by 18 Del. Admin. C. §1406-7.3

2 Exceptions - 18 Del. Admin. C. § 1406-8.1 Premium Collection and Payment of Claims

The written agreements for SASid and HPIH/HIIQ Third-Party Administrators did not contain the required language.

Recommendation: It is recommended that the Company review its procedures to ensure written service agreements include the language as required by 18 Del. Admin. C. §1406- 8.1.

1 Exception - 18 Del. Admin. C. § 1406-8.3.6 Premium Collection and Payment of Claims

The written service agreement for HPIH/HIIQ Third-Party Administrator did not address the remittance of return premium.

Recommendation: It is recommended that the Company review its procedures to ensure written service agreements include all the provisions as required by 18 Del. Admin. C. §1406- 8.3.6.

2 Exceptions - 18 Del. Admin. C. § 1406-10.1 Notice to Covered Individuals; Disclosure of Charges and Fees

The written agreement for SASid and HPIH/HIIQ Third-Party Administrators did not contain a provision setting forth the Third-Party Administrator's duties to provide written notice, advising of the identity and relationship of the Third-Party Administrator, to the insureds.

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Recommendation: It is recommended that the Company review its procedures to ensure all written agreements between the Company and TPA contain a provision specifying the duty to provide a written notice to the insured which advises the insured of the identity and the relationship of the TPA, as required by 18 *Del. Admin. C.* § 1406-10.1.

2 Exceptions - 18 *Del. Admin. C.* § 1406-10.2 Notice to Covered Individuals; Disclosure of Charges and Fees

The agreement for SASid and HPIH/HIIQ Third-Party Administrator did not address the Third-Party Administrator's duty to disclose to the insured any fees charged outside of the premium.

Recommendation: It is recommended that the Company review its procedures to ensure written agreements disclose to the insured any fees charged outside of the premium as required by 18 *Del. Admin. C.* § 1406-10.2.

4 Exceptions - 18 *Del. Admin. C.* § 1406-10.3 Notice to Covered Individuals; Disclosure of Charges and Fees

The requirement of the disclosure to the insurer of all charges, fees, and commissions in connection with the administrative services was not evident in the IBA, InsTPA and HPIH/HIIQ and SASid Third-Party Administrator agreements.

Recommendation: It is recommended that the Company review its procedure to ensure all written agreements set forth the requirement that the administrator disclose to the Company all charges, fees, and commissions received from all services in connection with the provision of administrative services for the insurer, as required by 18 *Del. Admin. C.* § 1406-10.3.

COMPLAINTS, GRIEVANCES AND APPEALS HANDLING

A. CONSUMER COMPLAINTS

The Company provided a universe of two consumer complaints received during the examination period. The two complaint files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

1 Exception - 18 *Del. Admin. C.* § 902-1.2.1.2

The Company failed to respond to the complainant's claim denial appeal.

Recommendation: It is recommended that the Company review its procedures to ensure timely processing of claims related appeals as required by 18 *Del. Admin. C.* § 902-1.2.1.2.

1 Exception - 18 Del. Admin. C. § 902-1.2.1.13

The Company failed to respond to the complainant's request for an explanation of the basis of the claim denial.

Recommendation: It is recommended that the Company review its procedures to ensure proper processing of claims related complaints as required by 18 Del. Admin. C. § 902-1.2.1.13.

B. GRIEVANCES AND APPEALS

The Company provided three appeals received during the examination period. The appeal files were requested, received, and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations, including but not limited to, 18 Del C. § 332. The following exceptions were noted:

2 Exceptions – 18 Del. C. § 332(c)(4) Prompt response to written grievances.

The Company failed to provide a written acknowledgement of the grievances within 5 business days of receipt.

Recommendation: It is recommended that the Company review its procedures to ensure prompt responses to written grievances as required by 18 Del. C. § 332(c)(4).

1 Exception – 18 Del. C. § 332(c)(5) Speedy review of grievances.

The Company failed to provide a speedy review of the grievance within the statutory time frames.

Recommendation: It is recommended that the Company review its procedures to ensure speedy review of grievances as required by 18 Del. C. § 332(c)(5).

MARKETING AND SALES

A. ADVERTISING AND SALES MATERIALS

The Company provided lists 13 of marketing and sales materials. The material consisted of Brochures, PowerPoint Presentations, and Sales Aids. The Company also provided the following websites maintained by or on behalf of the Company for marketing purposes: AgileHealthInsurance.com, Bimsym.com/asaphealth/new, healthinsurance.net, SASidplans.com, SASid.com, InsuranceTPA.com, AUIC.org, nextinsurance.com, <https://quote.sasid.com/launch>, and <https://www.ehealthinsurance.com/>. All thirteen marketing materials and the websites were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

2 Exceptions - 18 Del. C. § 2304(1)(a). Unfair methods of competition and unfair or deceptive acts or practices defined.

The advertisements did not reference the association membership, which has the capacity to misrepresent the conditions of the policy.

Recommendation: It is recommended that the Company review its procedures to ensure advertisements do not misrepresent the conditions of the policy as required by 18 Del. C. § 2304(1)(a).

1 Exception - 18 Del. Admin. C. § 1302-11.1 Identification of Plan or Number of Policies

The advertisement did not disclose that the amount of benefits provided depends upon the plan selected and premium will vary with the amounts of benefits selected.

Recommendation: It is recommended that the Company review its procedures to ensure advertisements do not misrepresent the conditions of the policy as required by 18 Del. Admin. C. § 1302-11.1.

7 Exceptions - 18 Del. Admin. C. § 1302-14.1 Identity of Insurer

The form numbers of the specific policies advertised were not identified in the advertisements.

Recommendation: It is recommended that the Company review its procedures to ensure advertisements identify the form numbers of the specific policies advertised as required by 18 Del. Admin. C. § 1302-14.1.

3 Exceptions - 18 Del. Admin. C. § 1302-17.0 Statements About an Insurer

The advertisements contained statements which are misleading with respect to the financial standing of the insurer.

Recommendation: It is recommended that the Company review its procedures to ensure advertisements do not contain misleading statements with respect to the financial standing of the insurer as required by 18 Del. Admin. C. § 1302-17.0.

1 Exception - 18 Del. Admin. C. § 1302-10.3 Use of statistics

The source of statistics was not disclosed.

Recommendation: It is recommended that the Company review its procedures to ensure advertisements identify the source of any statistics used as required by 18 Del. Admin. C. § 1302-10.3.

2 Exceptions - 18 Del. Admin. C. § 1302-7.2.2 Exceptions, Reductions and Limitations.

The waiting periods disclosed in the advertisements were not disclosed in a prominent manner.

Recommendation: It is recommended that the Company review its procedures to ensure advertisements disclose the waiting periods in a prominent manner as required by 18 Del. Admin. C. § 1302-7.2.2.

B. HIIQ APPLICATIONS

The Company provided a universe of 943 Limited Medical Insurance applications/enrollments written during the examination. A random sample of 113 application file documents was requested, received, and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

26 Exceptions - 18 Del. C. § 1715. Appointments.

The individuals were identified as the producers for 26 applications. However, Department records (NAIC Lookup Search) did not identify the individuals as being appointed by the Company within 15 days from the date the insurance application was submitted.

Recommendation: It is recommended that the Company review its procedures to ensure the individuals selling the Company's insurance products are properly appointed as required by 18 Del. C. § 1715.

19 Exceptions - 18 Del. C. § 2712(a) Filing, approval of forms.

The application form used for the purchase of the Waiver of Pre-Existing Condition Rider was not the form filed for such use.

Recommendation: It is recommended that the Company review its procedures to ensure the correct application form is used for the product purchased as required by 18 Del. C. § 2712(a).

C. SASid APPLICATIONS

The Company provided a universe of 32 Limited Medical Insurance applications/enrollments written during the examination. All 32 application file documents were requested, received, and reviewed. The application files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

5 Exceptions - 18 Del. C. § 1703. License required.

The individuals did not hold a Delaware insurance license on the date the application was signed.

Recommendation: It is recommended that the Company review its procedures to ensure the individuals selling the Company's insurance products are properly licensed as required by 18 Del. C. § 1703.

8 Exceptions - 18 Del. C. § 1715. Appointments.

The individuals were not appointed by the Company within 15 days from the date the insurance application was submitted.

Recommendation: It is recommended that the Company review its procedures to ensure the individuals selling the Company's insurance products are properly appointed as required by 18 Del. C. § 1715.

PRODUCER LICENSING AND APPOINTMENTS

The Company provided a universe of 178 active producers during the examination period. A random sample of 79 producers was selected for review. The sampled list of active producers was compared to Departmental records of producers to verify the licensing and appointments, in compliance with 18 Del. C. § 1703 License required, and 18 Del. C. § 1715 Appointment of producer as agent. In addition, a comparison was made on producers identified on applications reviewed in the policy issued sections of the exam. For this examination purposes, producer exceptions found in the other sections of the examination were addressed in their respective sections. No exceptions were noted in this section.

UNDERWRITING AND RATING

A. FORMS

The Company provided a universe 12 forms available for use during the examination period. All 12 forms were requested and reviewed. The forms provided and forms reviewed in various sections of the examination were reviewed to ensure compliance with 18 Del. C. § 2712, Filing, approval of forms. For this examination purposes, form exceptions found in the other sections of the examination were addressed in their respective sections. No exceptions were noted in this section.

B. HIIQ POLICIES ISSUED

The Company provided a universe of 878 HIIQ policies issued during the examination period. A random sample of 86 policy files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

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The following exceptions were noted:

9 Exceptions - 18 Del. C. § 1715. Appointments.

The individuals were not appointed by the Company within 15 days from the date the insurance application was submitted.

Recommendation: It is recommended that the Company review its procedures to ensure the individuals selling the Company's insurance products are properly appointed as required by 18 Del. C. § 1715.

CLAIMS HANDLING

A. IBA HII PAID CLAIMS

The Company identified a universe of 564 IBA HII claims paid during the examination period. A random sample of 83 claim files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

47 Exceptions - 18 Del. Admin. C. § 902-1.2.1.2

The Company failed to acknowledge the claims within 15 working days upon receipt.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 Del. Admin. C. § 902-1.2.1.2.

31 Exceptions - 18 Del. Admin. C. § 902-1.2.1.3

The Company failed to implement a prompt investigation within 10 working upon receipt of the notice of loss.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the prompt investigation of claims requirements of 18 Del. Admin. C. § 902-1.2.1.3.

36 Exceptions - 18 Del. Admin. C. § 1310-6.1.1 Processing of Clean Claim

The Company failed to pay the clean claims within 30 days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure the prompt claim settlement requirements of 18 Del. Admin. C. § 1310-6.1.1.

B. InsTPA HII PAID CLAIMS

The Company identified a universe of 275 InsTPA HII claims paid during the examination period. A random sample of 76 claim files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

41 Exceptions - 18 Del. Admin. C. § 902-1.2.1.2

The Company failed to acknowledge the claims within 15 working days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 Del. Admin. C. § 902-1.2.1.2.

41 Exceptions – 18 Del. Admin. C. § 902-1.2.1.3

The Company failed to implement a prompt investigation within 10 working days upon receipt of the notice of loss.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the prompt investigation of claims requirements of 18 Del. Admin. C. § 902-1.2.1.3.

57 Exceptions - 18 Del. Admin. C. § 1310-6.1.1 Processing of Clean Claim

The Company failed to pay the clean claims within 30 days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure the prompt claim settlement requirements of 18 Del. Admin. C. § 1310-6.1.1

C. InsTPA SASid PAID CLAIMS

The Company identified a universe of 37 InsTPA SASid claims paid during the examination period. All 37 claim files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

4 Exceptions - 18 Del. Admin. C. § 902-1.2.1.2

The Company failed to acknowledge the claims within 15 working days upon receipt.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 Del. Admin. C. § 902-1.2.1.2.

4 Exceptions - 18 Del. Admin. C. § 902-1.2.1.3

The Company failed to implement a prompt investigation within 10 working days upon receipt of the notice of loss.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the prompt investigation of claims requirements of 18 Del. Admin. C. § 902-1.2.1.3.

4 Exceptions - 18 Del. Admin. C. § 1310-6.1.1 Processing of Clean Claim

The Company failed to pay the clean claims within 30 days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure the prompt claim settlement requirements of 18 Del. Admin. C. § 1310-6.1.1.

D. IBA HII DENIED CLAIMS

The Company identified a universe of 2,306 IBA HII claims denied during the examination period. A random sample of 107 claim files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

49 Exceptions - 18 Del. Admin. C. § 902-1.2.1.2

The Company failed to acknowledge the claims within 15 working days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 Del. Admin. C. § 902-1.2.1.2.

26 Exceptions – 18 Del. Admin. C. § 902-1.2.1.3

The Company failed to implement a prompt investigation within 10 working days upon receipt of the notice of loss.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the prompt investigation of claims requirements of 18 Del. Admin. C. § 902-1.2.1.3.

34 Exceptions - 18 Del. Admin. C. § 1310-6.1.3 Processing of Clean Claim

The Company failed to provide notice of denial of the claims within 30 days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure the prompt claim settlement requirements of 18 Del. Admin. C. § 1310-6.1.3.

E. InsTPA HII DENIED CLAIMS

The Company identified a universe of 1,608 InsTPA claims denied during the examination period. A random sample of 107 claim files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

68 Exceptions - 18 Del. Admin. C. § 902-1.2.1.2

The Company failed to acknowledge the claims within 15 working days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 Del. Admin. C. § 902-1.2.1.2.

68 Exceptions – 18 Del. Admin. C. § 902-1.2.1.3

The Company failed to implement a prompt investigation of the claims within 10 working days upon receipt of the notice of loss.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the prompt investigation of claims requirements of 18 Del. Admin. C. § 902-1.2.1.3.

74 Exceptions - 18 Del. Admin. C. § 1310-6.1.3 Processing of Clean Claim

The Company failed to provide notice of denial of the claims within 30 days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure the prompt claim settlement requirements of 18 Del. Admin. C. § 1310-6.1.3.

F. InsTPA SASid DENIED CLAIMS

The Company identified a universe of 52 InsTPA SASid claims denied during the examination period. All 52 claim files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations. The following exceptions were noted:

7 Exceptions - 18 Del. Admin. C. § 902-1.2.1.2

The Company failed to acknowledge the claims within 15 working days after receipt.

Recommendation: It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 Del. Admin. C. § 902-1.2.1.2.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company review its procedures to ensure written service agreements include all the provisions as required by 18 *Del. Admin. C.* § 1406-4.0. (Company Operations and Management-TPA)
2. It is recommended that the Company review its policies to ensure audit provisions, allowing for periodic and on-site audits, are included in all contracts between the Company and TPAs as required by 18 *Del. Admin. C.* § 1406-7.3. (Company Operations and Management-TPA)
3. It is recommended that the Company review its procedures to ensure written service agreements include all the language, as required by 18 *Del. Admin. C.* § 1406-8.1. (Company Operations and Management-TPA)
4. It is recommended that the Company review its procedures to ensure written service agreements include all the provisions as required by 18 *Del. Admin. C.* § 1406-8.3.6. (Company Operations and Management-TPA)
5. It is recommended that the Company review its procedures to ensure all written agreements between the Company and TPA contain a provision specifying the duty to provide a written notice to the insured which advises the insured of the identity and the relationship of the TPA, as required by 18 *Del. Admin. C.* § 1406-10.1. (Company Operations and Management-TPA)
6. It is recommended that the Company review its procedures to ensure written agreements disclose to the insured any fees charged outside of the premium as required by 18 *Del. Admin. C.* § 1406-10.2. (Company Operations and Management-TPA)
7. It is recommended that the Company review its procedures to ensure all written agreements set forth the requirement that the administrator disclose to the Company all charges, fees, and commissions received from all services in connection with the provision of administrative services for the insurer, as required by 18 *Del. Admin. C.* § 1406-10.3. (Company Operations and Management-TPA)
8. It is recommended that the Company review its procedures to ensure timely processing of claims related appeals as required by 18 *Del. Admin. C.* § 902-1.2.1.2. (Consumer Complaints)
9. It is recommended that the Company review its procedures to ensure proper processing of claims related complaints as required by 18 *Del. Admin. C.* § 902-1.2.1.13. (Consumer Complaints)
10. It is recommended that the Company review its procedures to ensure prompt responses to written grievances as required by 18 *Del. C.* § 332(c)(4). (Grievances and Appeals)
11. It is recommended that the Company review its procedures to ensure speedy review of grievances as required by 18 *Del. C.* § 332(c)(5). (Grievances and Appeals)

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12. It is recommended that the Company review its procedures to ensure advertisements do not misrepresent the conditions of the policy as required by 18 *Del. C. § 2304(1)(a)*. (Advertising and Sales Materials)
13. It is recommended that the Company review its procedures to ensure advertisements do not misrepresent the conditions of the policy as required by 18 *Del. Admin. C. § 1302-11.1*. (Advertising and Sales Materials)
14. It is recommended that the Company review its procedures to ensure advertisements identify the form numbers of the specific policies advertised as required by 18 *Del. Admin. C. § 1302-14.1*. (Advertising and Sales Materials)
15. It is recommended that the Company review its procedures to ensure advertisements do not contain misleading statements with respect to the financial standing of the insurer as required by 18 *Del. Admin. C. § 1302-17.0*. (Advertising and Sales Materials)
16. It is recommended that the Company review its procedures to ensure advertisements identify the source of any statistics used as required by 18 *Del. Admin. C. § 1302-10.3*. (Advertising and Sales Materials)
17. It is recommended that the Company review its procedures to ensure advertisements disclose the waiting periods in a prominent manner as required by 18 *Del. Admin. C. § 1302-7.2.2*. (Advertising and Sales Materials)
18. It is recommended that the Company review its procedures to ensure the individuals selling the Company's insurance products are properly appointed as required by 18 *Del. C. § 1715*. (HIIQ Applications, SASid Applications, Underwriting and Rating – HIIQ Policies)
19. It is recommended that the Company review its procedures to ensure the correct application form is used for the product purchased as required by 18 *Del. C. § 2712(a)*. (HIIQ Applications)
20. It is recommended that the Company review its procedures to ensure the individuals selling the Company's insurance products are properly licensed as required by 18 *Del. C. § 1703*. (SASid Applications)
21. It is recommended that the Company review its procedures to ensure compliance with the claim acknowledgement requirements of 18 *Del. Admin. C. § 902-1.2.1.2*. (IBA HII Paid Claims, InsTPA HII Paid Claims, InsTPA SASid Paid Claims, IBA HII Denied Claims, InsTPA HII Denied Claims, InsTPA SASid Denied Claims)
22. It is recommended that the Company review its procedures to ensure compliance with the prompt investigation of claims requirements of 18 *Del. Admin. C. § 902-1.2.1.3*. (IBA HII Paid Claims, InsTPA HII Paid Claims, InsTPA SASid Paid Claims, IBA HII Denied Claims, InsTPA HII Denied Claims)
23. It is recommended that the Company review its procedures to ensure the prompt claim settlement requirements of 18 *Del. Admin. C. § 1310-6.1.1*. (IBA HII Paid Claims, InsTPA HII Paid Claims, InsTPA SASid Paid Claims)
24. It is recommended that the Company review its procedures to ensure the prompt claim settlement requirements of 18 *Del. Admin. C. § 1310-6.1.3*. (IBA HII Denied Claims, InsTPA HII Denied Claims)

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The examination conducted by Joseph Krug, Christina Hughart, and Frank Kyazze is respectfully submitted.

A handwritten signature in dark ink, appearing to read 'Frank W. K. Kyazze', written over a horizontal line.

Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance